

SENATE BILL No. 1021

February 25, 2004, Introduced by Senator BROWN and referred to the Committee on Appropriations.

A bill to amend 1986 PA 182, entitled "State police retirement act of 1986," by amending sections 3, 4, 14, 14a, 42, and 43 (MCL 38.1603, 38.1604, 38.1614, 38.1614a, 38.1642, and 38.1643), sections 3 and 14 as amended by 2000 PA 374, section 14a as added by 1995 PA 192, section 42 as amended by 1989 PA 191, and section 43 as amended by 2002 PA 96, and by adding section 24a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

SENATE BILL No. 1021

1 Sec. 3. (1) "Banked leave time program" means the part B
2 annual leave hours within the state's annual and sick leave
3 program approved by a ruling of the internal revenue service on
4 September 5, 2003, in which a pay reduction or other concessions
5 are applied to a member in exchange for additional part B annual
6 leave hours.

7 (2) ~~(1)~~ "Credited service" means the sum of the prior

1 service and membership service credited to a member's account.

2 (3) ~~—(2)—~~ "Deferred member" means a member who separates from
3 service with entitlement to a deferred retirement allowance as
4 provided in section 30, but who is not a retirant.

5 (4) ~~—(3)—~~ "Department" means the department of management and
6 budget.

7 (5) ~~—(4)—~~ "Direct rollover" means a payment by the retirement
8 system to the eligible retirement plan specified by the
9 distributee.

10 (6) ~~—(5)—~~ "Distributee" includes a member or deferred
11 member. Distributee also includes the member's or deferred
12 member's surviving spouse or the member's or deferred member's
13 spouse or former spouse under an eligible domestic relations
14 order, with regard to the interest of the spouse or former
15 spouse.

16 (7) **"Drop participant" means an officer who participates in**
17 **the deferred retirement option plan established in section 24a.**

18 (8) ~~—(6)—~~ ~~Except~~ **Beginning January 1, 2002, except as**
19 otherwise provided in this subsection, "eligible retirement plan"
20 means an individual retirement account described in section
21 408(a) of the internal revenue code, **26 USC 408(a)**, an individual
22 retirement annuity described in section 408(b) of the internal
23 revenue code, **26 USC 408(b)**, an annuity plan described in section
24 403(a) of the internal revenue code, **26 USC 403(a)**, or a
25 qualified trust described in section 401(a) of the internal
26 revenue code, **26 USC 401(a)**, **an annuity contract described in**
27 **section 403(b) of the internal revenue code, 26 USC 403(b), or an**

1 eligible plan under section 457(b) of the internal revenue code,
2 26 USC 457(b), which is maintained by a state, political
3 subdivision of a state, or an agency or instrumentality of a
4 state or political subdivision of a state and which agrees to
5 separately account for amounts transferred into the eligible plan
6 under section 457(b) of the internal revenue code, 26 USC 457(b),
7 from this retirement system, that accepts the distributee's
8 eligible rollover distribution. However, in the case of an
9 eligible rollover distribution to a surviving spouse **on or before**
10 **December 31, 2001**, an eligible retirement plan means an
11 individual retirement account or an individual retirement annuity
12 described above.

13 (9) ~~—(7)—"Eligible~~ **Beginning January 1, 2002, "eligible**
14 rollover distribution" means a distribution of all or any portion
15 of the balance to the credit of the distributee. Eligible
16 rollover distribution does not include any of the following:

17 (a) A distribution made for the life or life expectancy of
18 the distributee or the joint lives or joint life expectancies of
19 the distributee and the distributee's designated beneficiary.

20 (b) A distribution for a specified period of 10 years or
21 more.

22 (c) A distribution to the extent that the distribution is
23 required under section 401(a)(9) of the internal revenue code, **26**
24 **USC 401(a)(9)**.

25 (d) The portion of any distribution that is not includable in
26 federal gross income, determined without regard to the exclusion
27 for net unrealized appreciation with respect to employer

1 securities, — except to the extent that the portion of the
2 distribution is paid to either of the following:

3 (i) An individual retirement account or annuity described in
4 section 408(a) or 408(b) of the internal revenue code, 26 USC
5 408(a) or 408(b).

6 (ii) A qualified defined contribution plan as described in
7 section 401(a) or 403(a) of the internal revenue code, 26 USC
8 401(a) or 403(a), that agrees to separately account for amounts
9 so transferred, including separately accounting for the portion
10 of the distribution which is includable in gross income and the
11 portion of the distribution which is not includable in gross
12 income.

13 (10) ~~(8)~~ "Final average compensation" means the average
14 annual salary for the last 2 years of service with the department
15 of state police for which the member was compensated as defined
16 in subsection ~~(10)~~ (13). In the case of a nonclassified member
17 of the department holding the rank of colonel, final average
18 compensation means the same average annual salary as that
19 computed for the highest salaried classified member of the
20 department, or at the average annual salary for the last 2 years
21 of service with the department of state police for which the
22 member was compensated, whichever is greater. Average annual
23 salary includes only the following compensation items:

24 (a) Regular salary paid for the last 2 years of service,
25 including, but not limited to, that salary that is deferred
26 pursuant to a state deferred compensation program.

27 (b) Overtime, shift differential, and shift differential

1 overtime paid for the last 2 years of service.

2 (c) Gross pay adjustments paid affecting the last 2 years of
3 service, including compensatory time and emergency response
4 compensation.

5 (d) Up to a maximum of 240 hours of accumulated annual leave,
6 paid at the time of retirement separation **excluding part B annual**
7 **leave hours paid at the time of retirement separation.**

8 (e) Deferred hours under Plan B of the fiscal years ending
9 September 30, 1981, and September 30, 1982, that are paid at the
10 time of retirement separation.

11 (f) Longevity pay equal to 2 full years.

12 (g) Bomb squad pay paid for the last 2 years of service.

13 (h) Post 29 freeway premium paid for the last 2 years of
14 service.

15 (i) On-call pay paid for the last 2 years of service.

16 (j) **Beginning October 1, 2003, the value of any unpaid**
17 **furlough hours or the value of any unpaid hours exchanged for**
18 **part B annual leave hours, calculated at the member's**
19 **then-current hourly rate or rates of pay, for a period during**
20 **which a member is participating in the banked leave time**
21 **program.**

22 (11) **"Furlough hours" means unworked hours incurred in**
23 **conjunction with the banked leave time program.**

24 (12) ~~(9)~~ "Internal revenue code" means the United States
25 internal revenue code of 1986.

26 (13) ~~(10)~~ "Last 2 years of service" means the 2-year period
27 immediately preceding the member's last day of service or that

1 period of 2 consecutive years of service with the department of
2 state police immediately preceding the date the duty disability
3 occurred according to the medical examinations conducted pursuant
4 to section 29 **or, if the officer participated in the deferred**
5 **retirement option plan, the 2-year period immediately preceding**
6 **participation in the deferred retirement option plan.**

7 Sec. 4. (1) "Member", except where the context otherwise
8 requires, means an employee of the Michigan department of state
9 police who has subscribed to the constitutional oath of office.

10 (2) **"Officer" means a nonexclusively represented member of**
11 **the retirement system.**

12 (3) ~~—(2)—~~ "Retirant" means a member who separates from
13 service and retires with a retirement allowance payable from the
14 appropriate reserve of the retirement system.

15 (4) ~~—(3)—~~ "Retirement allowance" means the annual amount,
16 payable monthly, to which a retirant, retirement allowance
17 beneficiary, or refund beneficiary is entitled pursuant to this
18 act.

19 (5) ~~—(4)—~~ "Retirement allowance beneficiary" means a person
20 who is being paid or has entitlement to the payment of a
21 retirement allowance in the event of the death of a member,
22 deferred member, or retirant.

23 (6) ~~—(5)—~~ "Retirement board" means the retirement board
24 created in section 6.

25 (7) ~~—(6)—~~ "Retirement system" means the system of benefits
26 for members of the department of state police and their survivors
27 and beneficiaries provided by this act.

1 (8) ~~—(7)—~~ "Surviving spouse" means the spouse at the time of
2 death of the member or retirant.

3 Sec. 14. (1) The funding objective of the retirement system
4 is to establish and receive contributions during each fiscal year
5 that are sufficient to fully cover the actuarial cost of benefits
6 likely to be paid on account of services rendered by members
7 during the fiscal year, the normal cost requirements of the
8 retirement system, and finance the unfunded actuarial costs of
9 benefits likely to be paid on account of service rendered prior
10 to the fiscal year, the unfunded actuarial accrued liability of
11 the retirement system, and health, dental, and vision insurance.

12 (2) The annual level percentage of payroll contribution rate
13 shall be actuarially determined using experience assumptions and
14 level percent of payroll actuarial cost methods adopted by the
15 retirement board and the department pursuant to an annual
16 actuarial valuation, which shall be sufficient to finance
17 benefits being provided and to be provided by the retirement
18 system.

19 (3) For differences occurring in fiscal years beginning on or
20 after October 1, 2001, a minimum of 20% of the difference between
21 the estimated and the actual aggregate compensation and the
22 estimated and the actual contribution rate described in
23 subsection (2), if any, may be submitted in the executive budget
24 to the legislature for appropriation in the next succeeding state
25 fiscal year and a minimum of 25% of the remaining difference
26 shall be submitted in the executive budget to the legislature for
27 appropriation in each of the following 4 state fiscal years, or

1 until 100% of the remaining difference is submitted, whichever
2 first occurs. In addition, interest shall be included for each
3 year that a portion of the remaining difference is carried
4 forward. The interest rate shall equal the actuarially assumed
5 rate of investment return for the state fiscal year in which
6 payment is made.

7 (4) For each fiscal year that begins on or after October 1,
8 2003, if the actuarial valuation prepared pursuant to this
9 section for each fiscal year demonstrates that as of the
10 beginning of a fiscal year, and after all credits and transfers
11 required by this act for the previous fiscal year have been made,
12 the sum of the actuarial value of assets and the actuarial
13 present value of future normal cost contributions exceeds the
14 actuarial present value of benefits, the amount based on the
15 annual level percent of payroll contribution rate pursuant to
16 subsections (1) and (2) may be deposited into the health advance
17 funding subaccount created by section 42.

18 (5) Notwithstanding any other provision of this act, if the
19 retirement board establishes an arrangement and fund as described
20 in section 6 of the public employee retirement benefit protection
21 act, 2002 PA 100, MCL 38.1686, the benefits that are required to
22 be paid from that fund shall be paid from a portion of the
23 employer contributions described in this section or other
24 eligible funds. The retirement board shall determine the amount
25 of the employer contributions or other eligible funds that must
26 be allocated to that fund and deposit that amount in that fund
27 before it deposits any remaining employer contributions or other

1 **eligible funds in the pension fund.**

2 Sec. 14a. (1) This section is enacted pursuant to section
3 401(a) of the internal revenue code, **26 USC 401a**, that imposes
4 certain administrative requirements and benefit limitations for
5 qualified governmental plans. This state intends that the
6 retirement system be a qualified pension plan created in trust
7 under section 401 of the internal revenue code, **26 USC 401a**, and
8 that the trust be an exempt organization under section 501 of the
9 internal revenue code, **26 USC 501**. The department shall
10 administer the retirement system to fulfill this intent.

11 ~~(2) Except as otherwise provided in this section,~~
12 ~~employer financed benefits provided by the retirement system~~
13 ~~under this act shall not exceed \$50,000.00 per year for a~~
14 ~~retirant who was a full time employee of a police department or~~
15 ~~fire department and who has 15 or more years of credited service~~
16 ~~as a police officer, fire fighter, or public safety officer at~~
17 ~~retirement.~~

18 ~~(3) The limitation on employer financed benefits provided by~~
19 ~~the retirement system under subsection (2) applies unless~~
20 ~~application of subsections (4), (5), and (6) produces a higher~~
21 ~~limitation, in which case the higher limitation applies.~~

22 ~~(4) If a member retires at age 62 or older, employer financed~~
23 ~~benefits provided by the retirement system under this act shall~~
24 ~~not exceed the lesser of \$90,000.00 or 100% of the member's~~
25 ~~average compensation for high 3 years as described in~~
26 ~~section 415(b)(3) of the internal revenue code.~~

27 ~~(5) If a member retires before age 62, the amount of~~

~~1 \$90,000.00 in subsection (4) is actuarially reduced to reflect
2 payment before age 62. The retirement system shall use an
3 interest rate of 5% per year compounded annually to calculate the
4 actuarial reduction in this subsection. If this subsection
5 produces a limitation of less than \$75,000.00 at age 55, the
6 limitation at age 55 is \$75,000.00 and the limitations for ages
7 under age 55 shall be calculated from a limitation of \$75,000.00
8 at age 55.~~

~~9 (6) Section 415 of the internal revenue code requires the
10 commissioner of internal revenue to annually adjust the
11 \$50,000.00 limitation described in subsection (2) and the
12 \$90,000.00 limitation described in subsection (4) to reflect cost
13 of living increases, beginning with calendar year 1988. This
14 section shall be administered using the limitations applicable to
15 each calendar year as adjusted by the commissioner of internal
16 revenue under section 415 of the internal revenue code. The
17 retirement system shall adjust the benefits subject to the
18 limitation each year to conform with the adjusted limitation.~~

**19 (2) The retirement system shall be administered in compliance
20 with section 415 of the internal revenue code, 26 USC 415, and
21 regulations under that section that are applicable to
22 governmental plans. Employer-financed benefits provided by the
23 retirement system under this act shall not exceed the applicable
24 limitations set forth in section 415 of the internal revenue
25 code, 26 USC 415, as adjusted by the commissioner of internal
26 revenue under section 415(d) of the internal revenue code, 26 USC
27 415(d), to reflect cost of living increases, and the retirement**

1 system shall adjust the benefits subject to the limitation each
2 calendar year to conform with the adjusted limitation. For
3 purposes of section 415(b) of the internal revenue code, 26 USC
4 415(b), the applicable limitation shall apply to aggregated
5 benefits received from all qualified pension plans for which the
6 office of retirement services coordinates administration of that
7 limitation. If there is a conflict between this section and
8 another section of this act, this section prevails.

9 (3) ~~—(7)—~~ The assets of the retirement system shall be held
10 in trust and invested for the sole purpose of meeting the
11 legitimate obligations of the retirement system and shall not be
12 used for any other purpose. The assets shall not be used for or
13 diverted to a purpose other than for the exclusive benefit of the
14 members, deferred members, retirants, and beneficiaries before
15 satisfaction of all retirement system liabilities.

16 (4) ~~—(8)—~~ The retirement system shall return post-tax member
17 contributions made by a member and received by the retirement
18 system to a member upon retirement, pursuant to internal revenue
19 service regulations and approved internal revenue service
20 exclusion ratio tables.

21 (5) ~~—(9)—~~ The required beginning date for retirement
22 allowances and other distributions shall not be later than April
23 1 of the calendar year following the calendar year in which the
24 employee attains age 70-1/2 or April 1 of the calendar year
25 following the calendar year in which the employee retires.

26 (6) ~~—(10)—~~ If the retirement system is terminated, the
27 interest of the members, deferred members, retirants, and

1 beneficiaries in the retirement system is nonforfeitable to the
2 extent funded as described in section 411(d)(3) of the internal
3 revenue code, **26 USC 411(d)(3)**, and related internal revenue
4 service regulations applicable to governmental plans.

5 **(7)** ~~-(11)-~~ Notwithstanding any other provision of this act to
6 the contrary that would limit a distributee's election under this
7 act, a distributee may elect, at the time and in the manner
8 prescribed by the retirement board, to have any portion of an
9 eligible rollover distribution paid directly to an eligible
10 retirement plan specified by the distributee in a direct
11 rollover. This subsection applies to distributions made on or
12 after January 1, 1993.

13 ~~-(12) Notwithstanding any other provision of this section,~~
14 ~~the retirement system shall be administered in compliance with~~
15 ~~the provisions of section 415 of the internal revenue code and~~
16 ~~revenue service regulations under that section that are~~
17 ~~applicable to governmental plans. If there is a conflict between~~
18 ~~this section and another section of this or any other act of this~~
19 ~~state, this section prevails.~~

20 **(8)** Notwithstanding any other provision of this act, the
21 compensation of a member of the retirement system shall be taken
22 into account for any year under the retirement system only to the
23 extent that it does not exceed the compensation limit established
24 in section 401(a)(17) of the internal revenue code, **26 USC**
25 **401(a)(17)**, as adjusted by the commissioner of internal revenue.
26 This subsection applies to any person who first becomes a member
27 of the retirement system on or after October 1, 1996.

1 (9) Notwithstanding any other provision of this act,
2 contributions, benefits, and service credit with respect to
3 qualified military service will be provided under the retirement
4 system in accordance with section 414(u) of the internal revenue
5 code, 26 USC 414(u). This subsection applies to all qualified
6 military service on or after December 12, 1994.

7 Sec. 24a. (1) A deferred retirement option plan is
8 established within the defined benefit plan that is part of the
9 retirement system, and it is to be administered by the office of
10 retirement services. Exclusively represented members of the
11 retirement system may only participate in the deferred retirement
12 option plan pursuant to notice from their collective bargaining
13 agent that the agent agrees to the terms of the deferred
14 retirement option plan. For each fiscal year that begins on or
15 after October 1, 2004, the director of state police and the
16 retirement board may elect to discontinue accepting applications
17 for the deferred retirement option plan.

18 (2) An officer who has 25 years or more of credited service
19 under this act or former act 1935 PA 251, or both, may elect to
20 participate in the deferred retirement option plan by executing
21 the application provided by the office of retirement services.
22 Once the application is accepted by the office of retirement
23 services, the officer's participation in the deferred retirement
24 option plan is irrevocable and he or she becomes a DROP
25 participant. The officer is solely responsible for any federal,
26 state, or local tax due as a result of his or her participation
27 in the deferred retirement option plan.

1 (3) Participation in the deferred retirement option plan does
2 not guarantee continued employment. Except as otherwise provided
3 in this section, an officer who elects to participate in the
4 deferred retirement option plan will remain an active employee
5 eligible to receive any applicable wage changes and benefits,
6 will be subject to civil service rules and regulations, and will
7 be subject to the policies and procedures of the department of
8 state police and subject to removal by the governor, if
9 applicable, in the same manner as if he or she had not elected to
10 participate in the deferred retirement option plan.

11 (4) An officer shall indicate on the application for the
12 deferred retirement option plan the number of years that the
13 officer wants to participate in the deferred retirement option
14 plan, up to a maximum of 6 years. As a condition for
15 participation, the officer agrees to retire at the conclusion of
16 his or her participation in the deferred retirement option plan.

17 (5) A deferred retirement option plan account shall be
18 created in the accounting records of the retirement system for
19 each DROP participant. Each deferred retirement option plan
20 account shall earn interest at the rate of 3% per annum, prorated
21 for any fraction of a year. The deferred retirement option plan
22 account of a DROP participant shall be credited with the
23 following percentage of his or her monthly retirement allowance
24 as calculated pursuant to section 24 as if he or she had retired
25 on the day prior to becoming a DROP participant:

26 (a) 100% if the officer remains in the deferred retirement
27 option plan for 6 years.

1 (b) 90% if the officer remains in the deferred retirement
2 option plan for 5 years but less than 6 years.

3 (c) 80% if the officer remains in the deferred retirement
4 option plan for 4 years but less than 5 years.

5 (d) 70% if the officer remains in the deferred retirement
6 option plan for 3 years but less than 4 years.

7 (e) 60% if the officer remains in the deferred retirement
8 option plan for 2 years but less than 3 years.

9 (f) 50% if the officer remains in the deferred retirement
10 option plan for 1 year but less than 2 years.

11 (g) 30% if the officer remains in the deferred retirement
12 option plan for less than 1 year.

13 (6) A DROP participant shall not receive a monthly retirement
14 allowance, as calculated pursuant to section 24, until
15 termination of his or her deferred retirement option plan
16 participation and commencement of retirement. A DROP participant
17 shall not have any claim to any funds in his or her deferred
18 retirement option plan account until he or she retires at the
19 termination of his or her deferred retirement option plan
20 participation.

21 (7) Upon termination of the deferred retirement option plan
22 participation and commencement of retirement, the former DROP
23 participant shall select 1 or more of the following options with
24 regard to his or her deferred retirement option plan account:

25 (a) A total lump-sum distribution.

26 (b) A partial lump-sum distribution.

27 (c) A lump-sum direct rollover to another qualified plan if

1 allowed by federal law and subject to the procedures of the
2 retirement system.

3 (d) Maintain the funds in the account.

4 A former DROP participant shall remove all funds from his or her
5 deferred retirement option plan account no later than April 1
6 following the later of the calendar year in which the DROP
7 participant attains 70 years, 6 months of age or the calendar
8 year in which the DROP participant is retired.

9 (8) If a DROP participant or former DROP participant dies
10 before removing all funds from his or her deferred retirement
11 option plan account, the former DROP participant's designated
12 beneficiary shall receive any remaining balances. If the former
13 DROP participant has not named a beneficiary for his or her
14 deferred retirement option plan account, the amount in the
15 deferred retirement option plan account shall be paid to the
16 beneficiary of the former DROP participant's retirement
17 allowance. If the former DROP participant has not named a
18 beneficiary to his or her retirement allowance, the balance in
19 the former DROP participant's account shall be paid to the former
20 DROP participant's estate.

21 (9) If a DROP participant is found to be disabled under
22 section 29, his or her participation in the deferred retirement
23 option plan shall immediately cease and he or she shall be
24 retired.

25 (10) The deferred retirement option plan shall be
26 administered in compliance with section 415 of the internal
27 revenue code, 26 USC 415, and regulations under that section that

1 are applicable to a governmental deferred retirement option
2 plan. If there is a conflict between this subsection and another
3 subsection of this section, this subsection prevails.

4 (11) All of the following provisions apply to a DROP
5 participant:

6 (a) At the time of acceptance to the deferred retirement
7 option plan, the DROP participant shall be paid for his or her
8 accrued eligible sick leave, subject to subdivision (g). A DROP
9 participant shall not accrue any further sick leave. A DROP
10 participant may use up to 240 hours of sick leave for which
11 payment was not received. No payment will be made at retirement
12 for any unused sick leave.

13 (b) At the time of acceptance to the deferred retirement
14 option plan, the DROP participant shall be paid for his or her
15 accrued annual leave up to 240 hours, subject to subdivision
16 (g). Any accrued annual leave in excess of 240 hours may be used
17 by the DROP participant.

18 (c) Excluding participation in the banked leave time program,
19 each DROP participant shall receive a total of 7.7 hours of
20 annual leave for each 80 hours of paid service in a biweekly work
21 period; however, the maximum number of annual leave hours that a
22 DROP participant may accumulate, including annual leave hours
23 remaining prior to deferred retirement option plan participation,
24 is 200 hours. If a DROP participant is not paid for 80 hours in
25 a biweekly work period, the participant shall be credited with a
26 prorated amount of annual leave for that work period. At
27 retirement, the DROP participant will only be paid for a maximum

1 of 76 hours of annual leave.

2 (d) DROP participants shall not be eligible for, or receive,
3 any longevity payment.

4 (e) DROP participants may only accrue up to 48 hours of
5 compensatory time with the mutual consent of their supervisor.

6 (f) DROP participants shall pay the health insurance premiums
7 that would have been payable under section 42 as if they had
8 retired on the day prior to becoming a DROP participant.

9 (g) Payments due an officer upon approval to participate in
10 the deferred retirement option plan, such as for accrued sick
11 leave, annual leave, compensatory time, and similar items, may be
12 paid at the sole discretion of the state, at the rate of 17% per
13 year until the DROP participant retires, at which time any
14 remaining balance shall be paid. This provision shall not affect
15 how a member's final average compensation is determined for
16 purposes of calculating his or her retirement benefit pursuant to
17 section 24.

18 (12) If the department receives notification from the United
19 States internal revenue service that this section or any portion
20 of this section will cause the retirement system to be
21 disqualified for tax purposes under the internal revenue code, 26
22 USC 1 to 1789, then the portion that will cause the
23 disqualification does not apply.

24 Sec. 42. (1) Hospitalization and medical coverage insurance
25 premiums payable by a retirant or his or her retirement allowance
26 beneficiary and his or her dependents under any group health plan
27 authorized by the Michigan civil service commission and the

1 department shall be paid in amounts provided by this subsection
2 from appropriations for this purpose made to the retirement
3 system. Until October 1, 1989, the amount payable by the
4 retirement system shall be 90% of the entire monthly premium
5 payable for hospitalization and medical coverage insurance.
6 Beginning October 1, 1989, the amount payable by the retirement
7 system shall be 95% of the entire monthly premium payable for
8 hospitalization and medical coverage insurance.

9 (2) Effective October 1, 1989, dental coverage and vision
10 coverage insurance premiums payable by a retirant or his or her
11 retirement allowance beneficiary and his or her dependents under
12 any group health plan authorized by the Michigan civil service
13 commission and the department shall be paid in amounts provided
14 by this subsection from appropriations for this purpose made to
15 the retirement system. The amount payable by the retirement
16 system shall be 90% of the entire monthly premium payable for
17 dental coverage and vision coverage insurance.

18 (3) The health-dental-vision benefits fund is created and
19 shall be the fund into which appropriations of the state for
20 health, dental, and vision benefits are paid. Benefits payable
21 pursuant to subsections (1) and (2) shall be payable from the
22 health-dental-vision benefits fund. **The assets and any earnings**
23 **on the assets contained in the health-dental-vision benefits fund**
24 **and the health advance funding subaccount are not to be treated**
25 **as pension assets for any purpose.**

26 (4) The health advance funding subaccount is the account to
27 which amounts transferred pursuant to section 14(4) are

1 credited. Any amounts received from the health advance funding
2 subaccount and accumulated earnings on those amounts shall not be
3 expended until the actuarial accrued liability for health
4 benefits under this section is at least 100% funded. The
5 department may expend funds or transfer funds to another account
6 to expend for health benefits under this section if the actuarial
7 accrued liability for health benefits under this section is at
8 least 100% funded.

9 (5) Notwithstanding any other provision of this section, the
10 department may transfer amounts from the health advance funding
11 subaccount to the reserve for employer contributions created by
12 section 16 if the actuarial valuation prepared pursuant to
13 section 14 demonstrates that, as of the beginning of a fiscal
14 year, and after all credits and transfers required by this act
15 for the previous fiscal year have been made, the sum of the
16 actuarial value of assets and the actuarial present value of
17 future normal cost contributions does not exceed the actuarial
18 present value of benefits.

19 Sec. 43. The right of a member, retirant, or beneficiary to
20 a retirement allowance, deferred retirement allowance,
21 accumulated contributions, or other benefit under this act is
22 subject to the public employee retirement benefit protection act,
23 2002 PA 100, MCL 38.1681 to 38.1689.